

Qualified Public Educational Facility Bonds Issued by the Michigan Public Educational Facilities Authority

Approximately \$99 million of these bonds ("QPEF Bonds") may be issued in Michigan on a tax-exempt basis in 2002. The structure of these bond issues will be similar to the structure used for the Michigan Strategic Fund bond issues. Specifically, the Board of the MPEFA will adopt a bond authorizing resolution. The MPEFA will then issue QPEF Bonds pursuant to the terms of an indenture. The proceeds of the QPEF Bonds will then be loaned to private for-profit corporations, which have entered public-private partnerships agreements with a state or local educational agency. The loan to the private for-profit corporation will be evidenced by a promissory note and loan agreement. The loan repayments will be sufficient to pay the principal and interest on the bonds. Credit enhancement, in the form of a letter of credit or bond insurance, may be purchased to enhance the marketability of the bonds.

This bond issuance process is illustrated in the following diagram:

